UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

Distr.: LIMITED
E/ECA/LDCs.4/3
15 January 1984
ENGLISH
Original: FRENCH

ECONOMIC COMMISSION FOR AFRICA

Third Meeting of the Inter-governmental Committee of Experts of African Least Developed Countries

Conakry, 11-13 April 1984

ECONOMIC COMMISSION FOR AFRICA

Fourth Meeting of the Conference of Ministers of African Least Developed Countries

Conakry, 24-25 April 1984

LC/NAIROBI

IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION IN AFRICAN LEAST DEVELOPED COUNTRIES (1981-1983)

Report of the secretariat

I. INTRODUCTION

1. Paragraph 122 of the Substantial New Programme of Action (SNPA) adopted by the United Nations Conference on the Least Developed Countries held at Paris from 1 to 14 September 1981 and the United Nations General Assembly in Resolution 36/194 of 17 December 1981, called upon competent United Nations Organizations, especially the regional commissions, to "prepare periodic reports on the activities falling within their competence as inputs into the global review process". Moreover, in paragraph 125, the SNPA requests the Regional Commissions to "contribute to the follow-up process and offer an opportunity for the least developed countries of their respective regions to exchange experience and seek solutions to common problems at the national, regional and global levels".

2. Since the adoption of the Programme, the ECA secretariat first of all assessed the Conference in terms of commitments made by the international community especially donor countries and agencies in the light of expectations of African least developed countries (LDCs) in order to enable the latter to better define the domestic arrangements required to implement their respective plans. The assessment was made in a report submitted to the second Conference of Ministers of African Least Developed Countries held at Tripoli in April 1982. The ECA secretariat then made a critical review of the implementation of the SNPA in the light of meetings of donors already organized, in particular, the terms under which they were held and the results obtained. However, the small number of meetings held between September 1981 and April 1983 (four UNDP round tables, a consultative group meeting of the World Bank and one conference of United Nations donors), did not permit a detailed assessment to be made on the implementation of SNPA.

3. Nevertheless, that critical review brought out certain basic aspects such as (a) the need for donor countries to honour their commitments to devote 0.15 per cent of their gross domestic products as Official Development Assistance (ODA) to assist the least developed countries; (b) the need for least developed countries to have well defined projects and to stress, if need be projects with a subregional or regional impact; (c) participation of donor countries and agencies at an appropriate level, in review meetings so that firm commitments and final decisions could be taken and (d) the need to ensure that review meetings with donors served as a mechanism for reaching concrete decisions and did not become mere fora for exchanging views on the development needs of the individual LDCs. It was in that spirit that the third meeting of the Conference of Ministers of African Least Developed Countries requested, in its resolution 482 (XVII),

the Executive Secretary of ECA, in collaboration with the lead agencies to undertake periodically an assessment of the results and effectiveness of review meetings.

4. This report was prepared in response to the above resolution and with a view to helping to identify the major obstacles to the effective implementation of the Substantial New Programme of Action in African LDCs as well as to improve procedures for preparing and organizing meetings in the future. After a brief review of the status of preparation of review meetings in African LDCs, meetings that have been already held are assessed with particular reference to national programmes submitted to donors, the reactions of the latter, the commitments made and national, bilateral or multilateral follow-up mechanisms. Finally, the report endeavours to identify, at the national and international levels, measures likely to ensure both a better preparation and organization of review meetings and secure greater support from the international community in line with the recommendations of the sixth UNCTAD conference.

II. CURRENT STATUS OF PREPARATIONS ORGANIZING REVIEW MEETINGS

5. At the third meeting of the Conference of Ministers of African Least Developed Countries held at Addis Ababa in April 1983, a high-level consultation among Ministers of LDCs and with representatives of the UNDP Regional Bureau for Africa and the World Bank led to the establishment of a tentative schedule of country review meetings with donors. The meeting particularly recommended that the deadline envisaged in paragraph 114 of the SNPA for holding country review meetings should be extended so that the remaining African LDCs could hold their respective meetings during 1984. That recommendation was reflected in resolution 482 (XVIII) of the ECA Conference of Ministers and in the resolution adopted on 3 July 1983 by the sixth session of the United Nations Conference on Trade and Development held at Belgrade, Yugoslavia. However, the UNCTAD resolution specified that the conferences with donors should be organized before the 1985 global mid-term review of the SNPA.

6. The high-level meeting revealed that two countries, Botswana and Sierra Leone, had been unable to determine the dates for their respective meetings. Of the five countries (Burundi, Comoros, Djibouti, Guinea and Guinea Bissau) which had planned to organize their meetings in 1983 and on the basis of information available at the ECA secretariat, only the Republic of Djibouti was able to organize its meeting which was held from 21 to 23 November, 1983. It should also be mentioned that although information available on those countries is fragmentary.

The United Republic of Tanzania, Somalia and the Sudan organized meetings within the framework of the World Bank consultative group meetings in Paris. It should be noted that the World Bank, as well as the countries included in its consultative group, prepare and organize their meetings with donors outside the United Nations system.

7. The small number of review meetings actually held in 1983 has led to a high concentration of such meetings in 1984. Indeed, considering the meetings scheduled for 1984 as a result of the April 1983 high-level ministerial conferences, about 14 meetings should be organized during 1984, that is, at least an average of one meeting a month. However, it seems that several meetings have been scheduled for the second half of 1984, particularly during the last quarter. Table 1, shows that as of 31 December 1983, on the basis of information obtained by ECA from UNDP resident representatives, four countries have already planned to hold their meetings in the last quarter of 1984 and five others have still not been able to fix dates for their meetings will probably not be able to organize their meetings in the first half of 1984.

8. It should also be noted that the current trend indicates a slow-down in the rate of review meetings, particularly UNDP round tables. In 1983 there were only two round tables organized by Benin and Djibouti with the assistance of the UNDP Regional Bureau for Africa and Arab countries as against four round tables (Cape Verde, Equatorial Guinea, Rwanda and Mali) in 1982, organized only by the UNDP Regional Bureau for Africa. On the other hand, it appears that the consultative group meetings of the World Bank scheduled for 1983 were all held as scheduled (Uganda, Somalia and Sudan). If this trend continues without any substantial adjustment, there are grounds to fear that the first round of review meetings for Africa will not be completed before the Global mid-term review in September/October 1985.

III. ASSESSMENT OF THE REVIEW MEETINGS ORGANIZED SINCE THE ADOPTION OF THE SNPA

9. On the whole, the round tables so far organized have been well prepared despite some difficulties in co-ordination between prime contractor ministries and lead agencies. The documentation analaying the economic and social situation of the countries and the objectives of investment policies, as well as the various projects to be submitted to donors, was available in sufficient time to enable donors to identify those projects which interested them.

10. Although the level of donor representation was high in some cases, it often did not permit representatives of some financing agencies to make firm commitments in respect of financing. The policies enunciated by the African LDCs were

designed within the framework of the overall national development and sectoral strategies (rural development policy, industrial policy, etc.) and with due regard to the resources needed to attain those objectives (institutional structures, investment policy, etc.).

A. Policies pursued

11. The development policies pursued by the African least developed countries, under the Substantial New Programme of Action and particularly the investment programmes they submitted to the donors' round tables, gave precedence to the development of the productive sectors of the economy and the creation of growth-promoting infrastructure. Paragraphs 9 to 58 of the Programme define the priority areas for the least developed countries' development policies. Overall, the spirit of SNPA has been respected in the formulation of those policies.

12. Each country has made self-sufficiency in food and primary objective underlying its agricultural investment programme. Accordingly, projects to enhance agricultural productivity, to bring about better control over water resources, to improve grain storage conditions and expand the area of land under cultivation are receiving most attention from Governments. Improving social conditions for the rural population, which accounts for the bulk of these countries' total inhabitants, through farm-worker training programmes and the popularization of techniques, is another objective sought in most of the investment programmes.

13. Industrial policy, which is an integral part of any development policy, is often linked in the least developed countries' investment programmes to changing agricultural output. Industrial development projects are largely based on agro-industry and light industry with a view to meeting the growing demand for basic consumer goods. Some LDCs with natural resources have plans for setting up ore-processing or building materials industries. All these projects tend to increase the value added in manufacturing as a proportion of national output, which at the moment is no greater than 5 to 10 per cent.

14. In all the LDCs' investment plans, the development of the productive sectors goes hand in hand with a policy of developing physical infrastructure, particularly in the area of transport and communications. Social infrastructure (schools, hospitals, health centers, sports facilities, public housing) also received adequate attention.

B. Volume and sources of funding

15. Apart from two countries that submitted all their projects under their development plans (Cape Verde and Malawi) the African least developed countries mostly picked out a set of priority projects. Among this latter group such priority projects account for between 58 per cent (Djibouti) and 69 per cent (Benin) of the total investment called for under the national plans that embrace the various investment programmes.

16. As tables 2(a) and (b) show, the external funding requirements of the projects submitted to the various round tables averaged 75 per cent. Some disparity between different countries should, however, be noted. While countries such as Cape Verde can draw on substantial national savings, in part because of the sums remitted by their migrant workers, others such as Djibouti and the Comoros are dependent on external sources for 94 and 85 per cent respectively of the funds for the projects they have submitted. Both direct project assistance and non-project aid have been requested.

17. The kind of aid sought by the LDCs follows the recommendations in paragraph 70 of the Substantial New Programme of Action, which sets a target of 100 per cent of direct assistance for projects in the form of grants. In view of the fairly low limit on foreign debt servicing that the LDCs have set themselves, the aid they are requesting should be made available on the most generous terms possible (low interest rates and adequate grace periods). The cost of all the projects put forward total about $US 8.4 billion at 1981 prices, and the amount of external funding sought is about $US 6.1 billion, also at 1981 prices.

C. Allocation of investment resources by sector

18. Three basic factors seem to have influenced the allocation of investment resources to different sectors: geographical position (four of the countries, Burundi, Malawi, Mali and Rwanda, are completely land-locked and two, Cape Verde and the Comoros, are islands); the almost exclusively agricultural and pasteral nature of all eight countries; and, except in the case of Mali, their very limited size. Hence rural development, which has a large component of projects concerned with self-sufficiency in food and the production of primary commodities, and transport and communications infrastructure, account for 23 and 20 per cent respectively on the average of total investment and as such are the main priority sectors.

19. According to table 3, the social sector - education, training, health, social and cultural affairs and sport - comes third with 14 per cent of total investment on average, while manufacturing industry, mainly agro-industrial projects which are often hampered by large-scale production constraints (small domestic markets and little world demand), building and public works, often restricted by countries' limited ability to import capital goods, and non-administrative services absorb, on average, 13, 12 and 4 per cent of total investment, respectively. The relatively large proportion devoted to energy and mining (an average of 12.5 per cent) is for anticipated mineral prospecting operations, particularly in Benin, Mali and Rwanda, and research on new sources of energy (wind, solar, biomass etc.), in Burundi, the Comcros Djibouti, Mali, Rwanda and elsewhere.

C. Response of donor countries and multilateral institutions

20. In general, the donor countries and agenciew expressed approval and support for the long-term objectives and development strategies set forth by the LDCs. The sectoral presentations, made by the African LDCs at the request of the donor countries and agencies, clarified these objectives and strategies in many cases. During the round tables the African LDCs also indicated in quantitative terms what domestic efforts they plan to make to fund their respective programmes.

21. The earnestness and commitment shown by the least developed countries were not always fully understood, however, by the donor countries and agencies. All too often the realism of the LDCs' proposed programmes was challenged on the following grounds (i) the countries had limited absorptive capacities since sums made available to some of them have not been used for long periods; (ii) Governments were unable to mobilize national savings to finance part of their programmes; (iii) existing investments needed to be consolidated and restored to good standing before new programmes were undertaken; (iv) inadequate preparations had been made for some projects, and their actual cost might be far higher than shown in the programmes put forward; etc. In other words, the donor countries and agencies do not have confidence in the African least developed countries to practically implement their respective programmes.

22. This lack of confidence shows up in a number of areas, which if continued, would jeopardise the Substantial New Programme of Action in the least developed countries in Africa. IMF financial recovery programmes and World Bank structural adjustment schemes which are tending more and more to relegate

the medium- and long-term programmes drawn up by the African LDCs because the emphasis tends to be on recovery in the public sector, import cuts and, in some cases, devaluation. Those IMF and World Bank schemes have normally served to depress the economies of the countries concerned still further, thus reducing their ability to pursue their own medium- and long-term programmes. For example, countries involved in financial recovery or structural adjustment schemes are prevented from financing local project counterparts or recurring costs, and this reduces their absorptive capacity and contributes to the deterioration of existing investments.

23. It is important to realise that the least developed countries at the Paris Conference, in September 1981, wanted the Substantial New Programme of Action to include a short-term component to revitalise the economies of the countries concerned before the longer-term programmes came into effect. Agreement by the donor countries and agencies would have allowed the international community to specify the elements of such a programme in more detail, for execution in 1982 before the medium- and long-term programmes were drawn up. As a result, three years after the Paris Conference the African LDCs have not embarked on economic and financial programmes that are aimed at revitalizing key production sectors.

24. Another growing tendency in 1983 has been for donor countries and agencies not to give firm commitments at donor conferences. Referring to the observations made earlier, donor countries and agencies are confining themselves to expressing an interest in the various projects presented and reserving the right to consider them more carefully in a bilateral framework. Even efforts by LDCs to arrange meetings between donors on the fringes of the round tables, with a view to securing joint backing for projects, have generally been unproductive. A growing number of donor countries and agencies are linking firm commitments on their part to the satisfaction of certain conditions - debt servicing, for example. As a result, projects for which funding has already been negotiated are delayed or left open to further uncertainty.

25. A third tendency that is showing up in the implementation of the programme in the African LDCs is a disregard for the priorities defined by countries at donor conferences. In a great many cases, the most important projects in essential areas such as agriculture, transport, energy or the development of mining potential end up with no funding at the end of a round table. On

the other hand, non-priority projects are given partial backing and hence cannot be carried out for lack of the remainder of the funds. This practice on the part of donors makes it difficult to use resources rapidly and helps to lend validity to the notion that the absorptive capacity of the countries concerned is continuing to dwindle.

26. Given the way in which the donor conferences have been progressing, the least developed countries have been constrained to make any reasonable assessment of their outcome. Accordingly, the future of their programmes is still more surrounded by uncertainty than it was before the adoption of the Substantial New Programme of Action in 1981. In fact many countries, having held donor conferences, are continuing to devote extensive financial and human resources to follow-up meetings, often in the capitals of the donor countries or agencies, with little apparent success.

D. Follow-up mechanisms

27. The critical importance of reviewing progress in the implementation of the Substantial New Programme of Action is strongly emphasized in chapter III, paragraph 128, of the Programme. The purpose of the review is to keep up the momentum of commitments by the international community and undertakings by the LDCs over the decade so as to hasten growth and structural transformation.

28. Pursuant to resolution 481(XVIII) of the third meeting of the Conference of Ministers of African Least Developed Countries, the ECA secretariat reminded the States concerned that ECA is available to help with the establishment and operation of national machinery for following up on round tables, or any other activity in pursuit of the better mobilization of domestic resources. It sent a mission to two African LDCs that took up its offer, to learn of efforts at the national level to follow up on the country review meetings. These were primarily concerned with: (i) designating a central body to keep in constant touch with donors, backed up by an interministerial co-ordinating structure to determine how far programmes had got before the meeting with the donors; (ii) quarterly meetings with donors' local representatives to assess the progress made; (iii) missions to donor countries to finalize and sign agreements confirming commitments made at round tables; (iv) specific meetings on some priority projects that had been endorsed by a number of donors at the country review meetings; and (v) strengthening the establishment needed to follow up on the projects submitted to donors at the review meetings and make an accurate assessment of the country's overall economic status. Some very encouraging results were obtained in these LDCs thanks to assistance from the ECA secretariat, among others, in producing statistical information and making an assessment of the overall economic situation, and from UNDP through specific projects in support of planning structures.

29. For the recipient countries, the programmes prepared for the donor conference should particularly put more emphasis on (i) the short-term constraints which highlight the capacity of the country to successfully engage on a long-term programme, (ii) the short-term actions envisaged and the needs for external assistance, (iii) the priority sectors for medium and long-term actions and the national or sub-regional measures to this effect. In other words, the LDCs would have to present to the international community a short and medium term programme of action which is coherent and realist and which puts emphasis on the national actions and policies to be implemented. Experience has showed that the presentations of long-term objectives and strategies with the corresponding growth rates and the indications of external financing, require important resources from the African LDCs but do not; in practice, induce the necessary support of donor countries and organizations. One should, therefore, look for a less expensive, less ambitious and more limited approach.

30. Parallel to the efforts of recipient countries to prepare these programmes, potential donors should also try to contribute more concretely to the realisation of a minimum programme of action prepared by the African LDCs. In particular, concrete commitments could be taken in areas such as:

(i) assistance to the rehabilitation of certain unit of production, namely industry and the maintenance of infrastructures,

(ii) the debt relief through the cancelling or rescheduling of external debts.

(iii) balance of payments support notably for the industrial raw materials input, energy products and spare parts.

(iv) the contribution of donors for the joint financing of priority projects to which the government will devote important internal resources.

31. The United Nations system should also play a very important role for a better preparation and organization of the donors conferences. First of all, the technical assistance provided by the lead agencies should be concentrated on (i) the identification and the evaluation of urgent needs and the formulation of programmes aimed at expanding the production from the existing structures, (ii) the preparation of priority programmes and projects whose medium term realization would contribute more to establish the basis of self-sustained growth and a less dependent economy and (iii) the definition of necessary measures in order to ensure a maximum of internal financing of the priority programme and its efficient implementation to do so, the lead agencies should utilize more the available capabilities in the United Nations system. This would contribute to the reduction in the costs of project preparation. Further by concentrating on the limited actions, the programmes hence prepared would gain more in precision; and this should facilitate the necessary support of donor countries and organizations.

32. As conceived, the donors conferences would be the occasion for restoring the necessary confidence between the African LDCs on the one hand and the donor countries and organizations on the other. While the former could base their action on the precise commitments and plan with a minimum of uncertainties, the latter would have the assurance that the proposed programmes are realistic and that the national measures envisaged by the recipient countries can be implemented. Such a climate of confidence would also facilitate the follow-up of donor conferences at the national level as well as among LDCs, the United Nations system and the donor countries and organizations.

IV. EVALUATION OF THE OVERALL INTERNATIONAL CO-OPERATION EFFORTS IN THE IMPLEMENTATION OF SNPA

a) Trends in aid flow

33. Total external aid flows to the 26 African LDCs increased by 22.3 per cent annual in real terms during the 1970-1981 period, reaching a level of US$ 4593.9 million in 1981 as compared to US$ 500.8 million in 1970. The Official Development Assistance (ODA) from all sources increased by 21.3 per cent annually during the same period, with bilateral ODA from DAC countries representing about 49.6 per cent of total ODA in 1981. After the Paris Conference on the LDCs in 1981, DAC member-countries recognized the necessity to substantially increase their ODA in real terms in order to enable the LDCs to achieve the objectives of their country programmes within the framework of the SNPA. The volume of ODA from DAC countries, multilateral organizations and OPEC to individual African LDCs decreased in 1982 as compared to that of 1980 in 17 out of 26 African LDCs. The overall ODA declined from US$ 4120.9 million in current prices in 1980 to US$ 4033.9 in 1982.

34. The declining trend of overall ODA flow to African LDCs started in 1980 when the ODA receipts declined by some 28 per cent in nominal terms. A further decline occured in 1981 by 0.1 per cent in current terms and in 1982 by 2 per cent. Overall net flows to African LDCs from multilateral agencies mainly financed by DAC remained unchanged during the period 1981-1982 as compared to 1980. Also OPEC bilateral concessional flows declined by some 21.3 per cent in 1981 and increased by 60.9 per cent in 1982 to reach US$ 514.6 million.

35. Non-concessional flows (official and private from all sources) have traditionally been small in volume in the case of the African LDCs as can be seen from Table 4, but it increased by 28.2 per cent per annum over the period 1970-1981. In 1981, it amounted to US$ 913.6 million, i.e. 20.0 per cent of total flows to African LDCs. Half of these flows are provided in the form of guaranteed private export credits from DAC countries.

b) Terms and conditions of aid

36. It was envisaged in the SNPA that the average grant element of all commitments from donors should be increased substantially for LDCs. The SNPA also stipulated that ODA loans and grants to LDCs should be provided to the maximum extent possible on an untied basis. For the LDCs as a group 58 per cent of bilateral ODA commitments from DAC countries was untied in 1982,

compared to 37 per cent in 1979. Almost all the concessional assistance provided by OPEC countries and OPEC multilateral agencies is untied.

37. In addition, there are provisions in the SNPA that call upon developed countries to adjust the terms of past bilateral ODA in favour of LDCs in the form of debt relief. In 1982, 14 DAC countries announced specific retroactive adjustment measures that benefited about 21 African LDCs. These measures include, inter alia, the reduction of the service payments on loans. Ireland, Luxembourg and Norway had written off all debts of LDCs. Total nominal value of debt relief granted to the LDCs as a whole, in the form of debt cancellations, amounted to US$ 2.7 billion by 1980. Still, the official debt and debt service payments of the LDCs has increased steadily, reaching US$ 18.4 billion in 1981 as compared to US$ 12.9 billion in 1978. In some cases, the relief granted is still subject to parliamentary approval of the donor countries in other cases, it has not always taken the form of a straightforward cancellation of debt. For instance, the USA which provides 18 per cent of ODA to LDCs (the second biggest donor) had obtained authority to undertake retroactive terms adjustment for certain loans on a case-by-case basis, but its Congress has not yet appropriated funds to implement this authority.

c) Problems of project co-financing

38. With the deterioration of economic conditions in most of the industrialized countries resulting in the decline of ODA to LDCs and the rapid increase in the resources needs of the African Least Developed countries, it has become clear that the African LDCs themselves have to deal with their immediate problems through the mobilization of all available resources, both public and private, and to increase their efficient use. In this context, project co-financing is one of the useful method of development finance that offers the potential for leverage and increasing the effectiveness of the available resources.

39. Most of the African LDCs have usually preferred joint financing arrangements under a single lead agency, since they view them as administratively simpler than parallel co-financing arrangements. However, for most of the African LDCs, the market's perception of their creditworthiness sharply limits their access to private external medium and long-term credit.

(d) Overview of UNCTAD VI

40. The sixth session of the United Nations Conference on Trade and Development (UNCTAD VI) held in Belgrade, Yogoslavia, from 6 June to 3 July 1983, considered the "Buenos Arres Platform" which included the "Libreville Memorandum on Trade and Development: Africa and UNCTAD VI". The results of the

negotiations on all the issues are contained in UNCTAD VI Resolution TD/VI/CG/CRP.9 on the SNPA, however the understanding reached on certain critical areas needs to be highlighted. On the issue of ODA targets and time frame, the developed market economy countries (Group B) reiterated their position which was registered in Paris in September 1981 and stated that they cannot commit themselves to specific targets during a given period although there were plans and budgetary indications in their aid programmes to increase the level of aid in the medium term. The developed socialist countries (Group D) indicated that commitments on aid target and time frame should be the onus of those countries in a position to do so which was contrary to the spirit of the Paris Conference.

41 With respect to the alleviation of the debt-burden of LDCs the G-77 made a two-tier proposal i.e. (i) to seek for an agreement on the use of generalized debt relief as a financial instrument for improving the external financial position of the LDCs through the implementation of section A of TDB Resolution (165 (s-ix)) by which the developed countries had agreed to consider retroactive adjustment of their ODA loans to the LDCs; and also to seek for a massive conversion of ODA loans into grants; and (ii) to improve the institutional arrangements governing debt relief by securing a more vigorous application of the guidelines on debt relief operations (contained in TDB Resolution 222 (XXI). However, the position of the developed market economy countries was that the implementation of the TDB decisions was not legally binding on individual developed countries and that debt relief measures should be undertaken on a bilateral basis between debtors and creditors depending on the goodwill of the concerned creditors to respond positively to the request of individual LDC for debt relief. As for debt cancellation, only three donor countries had so far written-off all debts to the LDCs. Other relief had come from retroactive terms adjustment or "equivalent action" taken in pursuance of Section A of TDB Resolution 165 (s-ix) by some DAC countries which had marginally benefited 21 African LDCs, excluding Cape Verde, Djibouti, Equatorial Guinea, Guinea-Bissau and Sao Tome and Principe.

42. On the IMF Compensatory Financing Facility (CFF), the issues of interest to the LDCs were: (i) to seek for special consideration in the next round of the IMF Executive Board's assessment of the need to expand and liberalize the existing CFF for shortfalls in export earnings of LDCs; (ii) to urge all developed countries to participate in the establishment of a stabex-type scheme including all LDCs within the context of the Paris decisions.

43. In view of the existence of various multilateral commodity stabilization schemes with different objectives and economic and political considerations, there was no general agreement among the developed countries of Group B. Some developed countries felt that such a Global Stabex-Scheme would undermine progress

already achieved in the area of compensatory financing and in any case such an arrangement for the LDCs as a whole was neither feasible nor a significant way to assist the LDCs. Although the Stabex proposal was therefore blocked, the Conference requested the IMF Executive Board to give special consideration to the LDCs in the next round of review of the CFF.

44. The proposal of the third meeting of the Conference of Ministers of African LDCs to extend the deadline for convening review meetings beyond 1983 was endorsed by UNCTAD VI in a recommendations to the UN General Assembly. At its 38th session, the General Assembly also approved the recommendation and this is contained in paragraph 15 of Assembly Resolution 38/195 on the implementation of the Substantial New Programme of Action for the 1980s for the least developed countries which was adopted on 20 December, 1983.

V. INCREASED COORDINATION IN THE IMPLEMENTATION OF THE SNPA

45. On the basis of the experiences so far gained, an attempt is made here to reflect on the best ways and means of ensuring better preparation and organisation of review meetings by those countries that still have to hold these meetings. In this respect some important measures at the national, regional and international levels are suggested.

(a) Coordination in the preparation of the review meetings

46. In line with paragraph 111 of the SNPA, the UNDP and the World Bank, as lead agencies, have provided both financial and technical assistance for the entire process of preparing for the review meetings. In general the most critical part in the preparatory stage has been the preparation of the basic documents. In many cases African LDCs have based their documents on an ongoing or already elaborated national development plan. This has had tremendous advantages including, in particular, (a) the minimization of the time involved in elaborating the documents for the review meeting; (b) the ease with which the documents can be put within the general development philosophy of a country including the broad strategies and policies; and (c) the reduction in the cost since usually one or two experts would be sufficient to draw up the documents of the review meetings on the basis of an existing plan together with lists of the plan projects.

47. However, some other countries have had to draw up the documents from scratch. In these cases countries have had to decide on whether to draw up short-term programmes of a rehabilitation nature (e.g. Uganda and Chad) or to elaborate a more long-term programme. For these countries, the problems

of preparing documents become more acute since the task involves many issues such as the definition of the broad approaches, strategies and policies, the undertaking of sectoral studies, the working out of a consistant macro-economic framework.

48. Another critical stage in the process of preparing documents for review meetings is the pre-review meeting which discusses the draft documents before they are finally published and sent to donors. This stage is of critical importance since in some cases the countries might be advised to extensively revise the draft documents. As of now, these meetings have been attended by the government of the LDC concerned, UNDP, the World Bank and the EEC. The ECA had attended some of the pre-review meetings for those countries in which it participated in the elaboration of the documents.

49. Overall, and especially for those countries that have to prepare the documents from scratch there are important aspects of co-ordination that have to be taken into account at the national and international levels. At the national level it is of crucial importance to have a national focal point as recommended by the SNPA. Secondly in view of the need to coordinate strategies and policies in the document it might be useful for the country preparing a review meeting to set-up an inter-Ministerial Committee to oversee the preparation of the documents. Such coordination would be considerably useful in avoiding delays, and in establishing a national and political consensus on the programmes proposed.

50. At the international level, experience has shown that countries might require the assistance of different international agencies including those of the United Nations system. In order to ensure that this assistance is effective there is also a need to coordinate efforts at the level of these agencies. Firstly, there is the aspect of the coordination of missions from the various agencies. This is particularly important in the case of countries drawing up programmes from scratch and thus requiring assistance from the various specialised agencies to undertake sectoral studies. Unless the missions from the various agencies are coordinated it is very difficult for the countries to reach consistent sectoral approaches. The Coordination that was attempted in Burundi between UNDP, World Bank and the EEC is a useful example. A second aspect of the co-ordination relates to financial resources. In many cases, agencies like ECA, that are called upon to undertake specific tasks during the preparation of documents might not have adequate financial resources. It would therefore be useful to see to what extent the UNDP or the World Bank would be willing to finance such missions from the resources allocated to countries for the purpose of preparing review meetings. In certain cases the

missions of agencies like the ECA were financed from their own resources diverted from other programmes.

51. Finally, there must be increased coordination at the level of the pre-review meetings. Indeed it seems important that the agencies which may have participated in the preparation of the draft documents should participate at these meetings as well as agencies in charge of regional and global follow-up. The ECA has participated at three pre-review meetings and there is need to give due emphasis to the role that the ECA should play at these meetings as a regional focal point.

(b) Coordination in the organisation of review meetings

52. On the basis of the review meetings that have so far taken place, it can be generally seen that the major factors that influence the successful organisation of a review meeting include: (a) the timing and duration of the meeting; (b) the presentation of the different programmes; (c) the establishment of sub-committees apart from the plenary sessions; (d) the organisation of visits to some development projects. It has to be emphasized that the consideration of these elements have to take account of the different conditions in the country concerned. For example, it will be recalled that most of the consultative group meetings organised by the World Bank have been held in Paris outside the LDC countries thus implying a different set of organisational considerations.

53. With respect to the duration many countries have had meetings lasting between 2-4 days and this has often been sufficient. However, particular attention has to be paid to the timing of the meeting since in some cases donors have tended to leave the meeting earlier due to difficulties of flight connections. This tends to affect the level of representation towards the end of the meeting.

54. For the presentation of the programme at the review meeting some countries present separate sectoral programmes by high officials dealing with the sectors. In other countries sectors were grouped and presented by a minister backed up by technical staff to answer any technical questions that might be raised by donors. In view of the need to optimise on time, it seems that the grouping of sectors can be very useful as it gives more time to the donors to respond to the presentations. In addition, the programme made by ministers seems to lend greater weight to the presentation. Whatever the form of presentation that might be adopted it is clear that at the national level there is need to coordinate the activity among the different sectoral programmes especially if some are grouped together.

55. The organization of sub-committees has also been tried in some review meetings. Those sub-committees are intended to give an opportunity to donors to discuss sectoral issues in detail. It will, of course, be appreciated that the establishment of such sub-committees has to be agreed upon well in advance since it would necessitate bigger delegations on the part of donors to be able to cover the concurrent sessions of the various committees. Also if the sub-committee approach is to be adopted it has to be emphasised that donors should be persuaded to use them to coordinate their assistance among themselves at the sectoral and rproject level. Up till now, review meetings have not been given enough opportunity for different donors to get together and coordinate their assistance in those cases where interest in a project has been shown by more than one donor.

VI. CONCLUDING REMARKS

56. The assessment of the reaction of donors, the evaluation of the overall international efforts in the implementation of the SNPA as well as the relatively poor results of UNCTAD VI all point to the necessity for the African countries to tighten their belts and increase national efforts for their development. The relative importance between national efforts and international assistance has to be carefully reviewed by each individual African LDC with a view to drawing up realistic programmes that will not unduly depend on external financial resources that may not be forthcoming. It might also be useful for each African LDC to make a survey of the donor community so as to assess the likely level of assistance before drawing up any heavy investment programmes. The effective utilisation of resources must also be emphasised.

57. For the recipient countries the programmes submitted to donor conferences should stress (i) the short-term constraints which reduce the country's capacity to engage successfully in a longer-term programmes; (ii) the short-term action envisaged and the needs for external assistances; (iii) the priority sectors for medium-term and long-term action and the national or subregional resources designed for this purpose. In other words, the African LDCs should present to the international community a short-term and medium-term programme of action which is coherent and realistic and which stresses the domestic activities and policies to be implemented. Experience has shown that the presentation of long-term objectives and strategies with corresponding rates of growth and an indication of expected external financing requires a major investment of resources on the part of the African LDCs but does not in practice enlist the support of the donor countries and agencies. It would therefore be better to seek a less costly, less ambitious and more limited programme.

58. Side by side with those preparatory efforts by the recipient countries, potential donors should also try to contribute in a more practical way to the implementation of the minimum programmes of action prepared by the African LDCs. In particular, specific commitments might be undertaken in such fields as:

(i) assistance for the rehabilitaties of certain production units, especially in agriculture and industry and the maintenance of infractructures;

(ii) the easing of the debt burden through the cancellation or extensive rescheduling of foreign debt;

(iii) support for the balance of payments, particularly for imports of industrial raw materials, energy products and spare parts;

(iv) contribution by donors to the local recurrent financing cost of priority projects for which governments would be required to devote large amount of domestic resources.

59. The United Nations system should also play a more positive role in improving the preparation and organization of donor conferences. First of all, the technical assistance provided by the lead agencies should concentrate on (i) the identification and evaluation of urgent needs and the formulation of programmes aimed at revitalizing production on the basis of existing structures; (ii) the preparation of priority programmes and projects whose short-term implementation would help the most to lay the foundations of a self-sustaining and less dependent economy; (iii) the definition of the measures necessary to ensure the maximum internal financing of the priority programme and its effective implementation. For this purpose, the lead agencies should make greater use of the skills available within the United Nations system. This would help to reduce the costs of preparing projects. Moreover, by concentrating on limited action, the programmes thus prepared would gain in precision, thus facilitating the support of donor countries and agencies.

60. If they are planned in this way, the donor conferences will provide an opportunity to restore the confidence necessary between the African LDCs, on the one hand, and the donor countries and agencies, on the other. Whereas the former can base their action on specific commitments and make their plans with a minimum of uncertainty, the latter will have the assurance that the programmes preposed are realistic and that the domestic measures envisaged by the recipient countries can be implemented. Such a climate of confidence should also facilitate the follow-up of donor conferences both at the national level and at the level of relations between the LDCs, the United Nations system and the donor countries and agencies.

ANNEX

Table 1: Provisional timetable of review meetings for 1984, drawn up by the ECA secretariat on the basis of information provided by the UNDP Resident Representatives of the countries concerned

Country	Central organ	Type of meeting	Date
Burundi	Ministry of Planning	UNDP Round Table	8-11 February 1984
Central African Rep.	Ministry of Planning	UNDP Round Table	Oct./Nov. 1984
Comoros	Presidency of the Rep. General Planning Dept.	UNDP Round Table	March 1984
Ethiopia	Central Planning Supreme Council	UNDP Round Table	1984 (month not specified)
Gambia	Ministry of Planning	UNDP Round Table	1984 (month not specified)
Guinea	Prime Minister's Cabinet	UNDP Round Table	End of 1984
Guinea Bissau	Prime Minister's Cabinet	UNDP Round Table	1984 (month not specified)
Lesotho	Ministry of Planning	UNDP Round Table	April 1984
Malawi	Ministry of Planning	UNDP Round Table	27-29 February 1984
Niger	Ministry of Planning	UNDP Round Table	(Postponed)
Sao Tome & Principe	Ministry of Planning	UNDP Round Table	Third quarter 1984
Sierra Leone	Ministry of Development and Economic Planning	UNDP Round Table	1984 (month not specified)
Togo	Ministry of Planning	UNDP and World Bank Round Table	1984 (month not specified)
Upper Volta	Ministry of Planning	UNDP Round Table	October 1984

Table 2: Investment programmes proposed by the African LDCs during UNDP Round Table

(a) In local currency

Country (1)	Programme period (2)	Monetary units	Total volume of investments in the plan which includes the programmes (3)	Value of projects submitted to the Round Table (4)	Expressed needs for external financing		
					Projects (5)	Non-projects (6)	Total (7)
Benin	1983-1987	Billions of CFA francs 1983 prices	598.00	410.00	315.00	-	315.00
Burundi	1983-1987	Billions of Burundi francs 1981 prices	206.50	140.10	111.80	28.30	140.00
Cape Verde	1982-1985	Millions of Cape Verde Escudos 1981 prices	20.30	20.30	1.30	3.20	4.50
Comoros	1983-1990	Billions of Comorian francs 1982 prices	122.60	83.60	62.20	8.60	70.80
Djibouti	1983-1988	Billions of Djibouti francs 1983 prices	100.00	58.00	54.50	-	54.40
Malawi	1984-1989	Millions of kwachas current prices	1,995.00	1,995.00	506.00	-	506.00
Mali	1981-1985	Billions of Malian francs 1980 prices	936.60	630.00	539.00	342.00	881.00
Rwanda	1982-1986	Billions of Rwandese francs 1980 prices	232.30	125.00	78.00	1.97	97.97

Table 2 (cont'd)

(b) In millions of $US

Country	Programme period	Total volume of investments in the plan which includes the programme	Value of projects submitted to the Round Table	Expressed needs for external financing		
				Projects	Non-projects	Total
	(1)	(2)	(3)			
Benin	1983-1987	2 139 (1981 prices)	1 768 (1981 prices)	1 127 (1981 prices)	-	1 127 (1981 prices)
Burundi	1983-1987	2 293 (1981 prices)	1 556 (1981 prices)	1 242 (1981 prices)	314 (1981 prices)	1 556 (1981 prices)
Cape Verde	1982-1985	406 (1981 prices)	406 (1981 prices)	26 (1981 prices)	64 (1981 prices)	90 (1981 prices)
Comoros	1983-1990	439 (1981 prices)	299 (1982 prices)	222 (1981 prices)	31 (1981 prices)	253 (1981 prices)
Djibouti	1983-1988	570 (1983 prices)	330 (1983 prices)	310 (1983 prices)	-	310 (1983 prices)
Malawi	1984-1989	2 213 (1981 prices)	2 213 (1981 prices)	561 (1981 prices)	-	561 (1981 prices)
Mali	1981-1985	1 553 (1980 prices)	1 051 (1980 prices)	899 (1980 prices)	570 (1980 prices)	1 469 (1980 prices)
Rwanda	1982-1986	2 502 (1980 prices)	1 346 (1980 prices)	840 (1980 prices)	21 (1980 prices)	861 (1980 prices)

Table 3: Sectoral breakdown on investments in plans and programmes submitted by the African LDCs during UNDP Round Table (in percentages)

Country	Rural development	Manufacturing industries (agro-industries)	Buildings and public works (1)	Transport and communications (2)	Energy and mines	Services (3)	Social sector (4)	Others (5)
Benin	23.0	12.7	21.0	6.7	7.3	5.2	15.7	8.4
Burundi	22.8	15.2	7.2	18.4	12.7	4.1	13.0	3.5
Cape Verde	23.0	14.9	6.4	27.7	10.6	1.9	9.1	6.4
Comoros	18.1	4.4	6.9	39.2	14.6	3.37	13.5	-
Djibouti	12.0	15.0	16.0	20.0	23.0	-	14.0	-
Malawi	26.5	7.8	10.3	22.9	13.9	-	10.9	7.7
Mali	32.3	31.2 a/	27.4 b/			9.1 c/		
Rwanda	24.0	19.2	19.1	7.0	5.6	6.1	14.9	4.1

1 Notes:

1. Roads excluded
2. Roads included
3. Non-administrative services
4. Education; training; health; social, cultural and sporting affairs
5. Including administrative services

(-) Not recorded

a/ For manufacturing industries, mines and energy

b/ For buildings and public works, transport and communications (1)+(2)

c/ For services, social sector and others (3)+(4)+(5)

Table 4: Volume and share of external aid flows to African LDCs, 1970, 1975, 1980-1981
(million of US$ at constant prices)

		1970		1975		1980		1981		Average annual growth rates 1970-198
		Volume	%	Volume	%	Volume	%	Volume	%	
I.	ODA	441.5	88.2	1513.5	84.4	3736.3	79.7	3680.3	80.1	21.3
	Of which									
	-Bilateral DAC	297.9	59.5	959.9	53.5	2240.4	47.8	2280.6	49.6	20.3
	-Other ODA	143.6	28.7	553.6	30.9	1495.5	31.9	1399.7	30.5	23.0
II.	Non-concessional flows	59.3	11.8	278.9	15.6	950.9	20.3	913.6	19.9	28.2
TOTAL		500.8	100.0	1792.4	100.0	4687.2	100.0	4593.9	100.0	22.3

Table 5: Total net ODA from DAC countries, multilateral organizations and OPEC to individual African LDCs, 1980-1982 (in million of US$ at current prices)

Country	1980	1981	1982	Average annual growth rates (1980-1982)
1. Benin	90.4	81.6	79.9	-6.0
2. Botswana	106.1	96.9	100.7	-2.6
3. Burundi	117.2	122.0	124.6	3.1
4. Cape Verde	64.4	50.3	54.2	-8.3
5. Central African Republic	111.0	101.6	89.4	-10.3
6. Chad	35.3	59.7	59.7	30.0
7. Comoros	40.5	46.8	37.9	-3.3
8. Djibouti	69.3	63.9	54.8	-11.1
9. Equatorial Guinea	9.3	10.2	13.0	18.2
10. Ethiopia	216.0	241.2	184.3	-7.6
11. Gambia	54.4	58.2	47.6	-6.5
12. Guinea	89.5	81.6	65.6	-14.4
13. Guinea-Bissau	59.5	65.2	67.1	6.2
14. Lesotho	90.3	101.0	89.0	-0.7
15. Malawi	143.4	137.7	121.4	-8.0
16. Mali	252.1	232.3	194.3	-12.2
17. Niger	170.2	201.0	252.3	21.7
18. Rwanda	155.3	153.7	145.1	-3.3
19. Sao Tome & Principe	3.9	6.1	9.8	58.5
20. Sierra Leone	92.9	61.2	70.5	-13.9
21. Somalia	446.7	374.0	382.4	-7.5
22. Sudan	620.1	680.8	701.6	6.4
23. Tanzania	666.2	673.3	675.5	0.7
24. Togo	91.0	62.9	77.0	-8.0
25. Uganda	113.6	135.8	130.7	7.3
26. Upper Volta	212.3	216.8	205.5	-1.6
TOTAL	4120.9	4115.8	4033.9	-1.1

Source: OECD, Development Co-operation: 1983 Review.

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

Distr.: LIMITED
E/ECA/LDCs.4/3/Corr.1
7 May 1984
English
Original: FRENCH

ECONOMIC COMMISSION FOR AFRICA

Third Meeting of the Inter-governmental Committee of Experts of African Least Developed Countries

Addis Ababa, 9-11 May 1984

ECONOMIC COMMISSION FOR AFRICA

Fourth Meeting of the Conference of Ministers of African Least Developed Countries

Addis Ababa, 22-23 May 1984

CORRIGENDUM

IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION IN AFRICAN LEAST DEVELOPED COUNTRIES

(1981-1983)

Report of the Secretariat

1. Before paragraph 29 insert following title "F. Some proposals for improving the preparation and organization of review meetings"

2. Delete paragraphs 57, 58, 59 and 60.

UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

Distr. LIMITED
E/ECA/LDCs.4/4
24 March 1984
Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA

Third Meeting of the Inter-governmental Committee of Experts of African Least Developed Countries

Conakry, Guinea, 11-13 April 1984

ECONOMIC COMMISSION FOR AFRICA

Fourth Meeting of the Conference of Ministers of African Least Developed Countries

Conakry, Guinea, 24-25 April 1984

LC/NAIRSE

PRICING POLICIES IN AFRICAN LEAST DEVELOPED COUNTRIES
ISSUES FOR CONSIDERATION

M84-928

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A. INTRODUCTION

(i) Background, objectives and organization of the study

1. In the context of paragraphs 121 and 122 of the Substantial New Programme of Action (SNPA), the ECA secretariat in collaboration with UNCTAD, undertook a series of country case studies on pricing policies in Burundi, Central African Republic, Comoros, Ethiopia, Rwanda, Guinea-Bissau and Mali. Specifically, the studies dealt with measures to: (a) improve incentive schemes for upgrading productivity and increase output in the agricultural sector; (b) ensure better investment resource allocation in the context of national development objective and strategies; (c) improve the external and domestic terms of trade; (d) reinforce the institutional and legal framework for price policies and (a) improve price formulation techniques and to strengthen institutional capabilities for effective price control mechanisms. and monitoring.

2. The main purpose of this paper is to critically analyse the significance and implications of pricing policies as a major policy instrument in African LDCs based on the findings of the country studies and to submit pertinent proposals on measures that could be contemplated in such areas as price stablisation, the compilation and utilization of price statistics in price formulation, the strengthening of the legal and institutional framework in the context of economic planning and management and to establish the need for in-depth research on pricing policies in all African LDCs.

3. The paper is divided into five sections. The first section is the introductory part which gives the background and objectives of the study and a general over-view of the significance of pricing policies in over-all economic management with particular reference to its impact on the performance of the agricultural sector. Section B surveys the situation of price statistics in African LDCs. The mechanism of price formation and structures is discussed in section C giving an analysis of the general domestic and externally oriented macro-economic determinants of the price level. Based on the findings of the country case studies, a brief review of the institutional framework and price control systems in African LDCs is taken up in section D and finally section E concludes the paper with an analysis of the effectiveness of and constraints in implementing pricing policies in African LDCs with recommendations for the formulation of effective pricing policies.

(ii) Pricing policies in the over-all economic policy

4. The African continent as a whole is facing an extended economic crisis which is even worse for the African least developed countries whose structural weaknesses and resource constraints make them especially vulnerable to external shocks in conjunction with their already volatile domestic macro-imbalances. These conditions and the lack of the requisite foreign exchange to ensure effective production activities in key sectors notably agriculture, manufacturing and mining, had precipitated an upward trend in the general domestic price levels in the African LDCs both for locally produced and imported commodities, especially food imports.

5. In order to check these inflationary pressures which have engulfed the economies of African LDCs, the governments had attempted, over the years to devise and administer pricing policies as an integral part of over-all economic policy. The objectives of the governments' intervention in the formulation of domestic prices vary from country to country depending on the political and socio-economic conditions and the trade-off needed in overall and sectoral priorities of individual countries. In general, since the African LDCs are importing countries striving toward food self-sufficiency and cognizance of their dependence on primary products for exports, emphasis is usually placed on designing agricultural pricing policies with the aim of providing incentives to farmers to increase agricultural production, especially of food crops, either through farm price support or input subsidy. Consumers also benefit through the subsidization of major staple foods by retail price control or by an import subsidy if the commodity is imported.

6. In the manufacturing sector, investment incentive schemes, are instruments that enable policy-makers to intervene in the formulation of prices of locally manufactured goods in order to maintain a reasonable price structure for local industries. Such policies are also beneficial to consumers since the products of the import substitute industries are protected from external competition through the ban on importation of similar commodities.

7. Another rationale for price policies in African LDCs is that it is an instrument of "stabilization" where the governments are more concerned with price fluctuation than with the average level of prices. The stabilization programme usually aims at moderating interseasonal and intraseasonal price fluctuations. For instance, when producer prices are announced at the beginning of the growing season, the government reduces the price uncertainity facing producers and assists the farmers in production planning. In fact since all African LDCs are net importers of food, government intervention normally aims at insulating the domestic economy from the instability generated by international price fluctuations which increases the food import bills of these countries which constitutes an average of over 50 per cent of total imports. In Upper Volta, for example, the objective of the government's regional grain stabilization programme is to provide a more stable market characterised by reasonable prices to consumers and a fair return to producers.

8. On the whole, price policies in African LDCs are perceived as an instrument in the process of economic development as it affects income distribution through changing the remunerative producer prices for rural sector as well as realistic wholesale and retail prices. Inspite of the tenacity of the argument advanced in some quarters that delinks price policy with economic development, yet the stability of domestic food prices is of particular significance in African LDCs both economically and politically since a high proportion of the household budget of majority of the population is spent on food. As for the rural farmers who are mainly engaged in agricultural and related activities, pricing policies have been used as an instrument for producers to increase the level of their marketable surplus.

B. PRICE STATISTICS

9. Price statistics is a major aspect of pricing policies in African countries as it relates essentially to the amount of information on price structures for both analysts and policy makers. In many cases, given the very large subsistence sector where price mechanisms are not well established, it is often difficult to have detailed data on prices at the national level. It is in this spirit that the present section examines the nature of price statistics that are available in African LDCs.

(i) Price statistics in the system of national account

10. In the United Nations System of National Accounts there are provisions for recording of flows at market prices and at approximate basic value. Market prices may be either those paid by the purchaser or those received by the seller. On the other hand approximate basic values differ from the market prices in that they exclude **not** indirect commodity taxes. On the basis of these basic valuation, the source of production is valued at the producer's value and at the approximate base value while the disposition of production is valued at the purchaser's value. These distinctions in price valuation are important since they give a general categorisation of policies in respect of those focusing on either supply (source of production) or demand (disposition of production). No doubt any confusion between the price statistics that are used for the analysis of the problems belonging to the different categories will result into distortions in policy conclusions.

(ii) Available price statistics

11. The data on price statistics are often compiled using basic indices on: consumer prices, producer's prices, wholesale prices, foreign trade prices, and prices for producers of government services.

(a) Consumer price indices

12. The vast majority of African countries collect consumer prices and prepare indices fairly regularly. However, the scope of the price series and the indices is often limited and varies from country to country:

(i) So far as the geographical scope is concerned consumer price indices may cover the entire nation distinguishing between urban and rural sectors, or they may be limited only to urban centres or only to the major capital;

(ii) As for population categories, the consumer price indices relate mainly to African households with distinction between low income and middle-income households.

(b) Producers' price indexes

13. Although producers' prices have an important place in the system of price statistics and are useful for many economic analyses, few countries as yet have collected these statistics and calculated the producers' price indexes. The scope of the index varies greatly from one country to another: (i) from the geographical standpoint, the index generally covers the entire country; (ii) so far as classification is concerned, two methods are used, namely, the classification by commodity and by major branch of activity (agriculture, mining, manufacturing, electricity and water).

(c) Wholesale price index

14. A limited number of African countries have drawn up a general wholesale price index. In addition to the classification by commodity and branch of activity a few countries use classification by economic source (distinguishing between locally produced and imported goods) and classification by disposition (distinguishing between intermediate consumption, final consumption, gross capital formation and export)in preparing their wholesale price index. These indexes may cover the entire country or just the capital.

(d) Foreign trade price indexes

15. All but a few African countries now periodically collect statistics on foreign trade. The price index and the index of the unit value of imported and exported commodities apply to the entire country since the data are obtained from customs declarations. Some countries make adjustments when commodity coverage is incomplete.

16. An overall analysis of statistics on the different price indices reveals that: (i) Available price indexes lack homogeneity since the basis of the calculations varies widely from one country to another and at different times within the same country; (ii) The most common data are those of the consumer price indexes and the foreign trade indices; (iii) very few countries have wholesale price indexes, producers' price indexes and indexes for very specific uses (iv) A very limited number of countries compile regular indices on wage, salaries and employments.

17. As a result it seems that other alternative price indicators must be found in order to effect the shortage of data on prices. It is of course, clear that until such a shortage of data is overcome the formulation of appropriate pricing policies and their subsequent implementation will be very difficult in most African countries.

(iii) Country practices in the collection and compilation of price statistics

18. In examining the extent to which price statistics have a bearing on the nature and usefulness of pricing policies it is important to fully understand the methods and practices used in collecting and compiling the different price statistics. In this way it can be seen whether policies are based on the relevant types of price statistics or not. The analysis in this section is based on a survey carried out by ECA on price statistics in Africa. 1/

19. For the scope and coverage of price statistics many countries in Africa compile the production price indices on a national level. However, many least developed countries like Uganda usually cover only industries in the capital city thus implying that the indices will not reflect the regional differentials in the structure of producer prices. Further, even for those countries which might cover the nation as a whole, coverage is limited at the level of the size of establishment (either on the basis of number of persons employed or value of gross output). This limitation also has implications on the policies that can be designed on the basis of the price statistics since small producers are not covered and, hence, pricing Policies would tend to ignore them.

20. At the sectoral level the most striking feature is that very few countries compile any indices of production of the agricultural sector. Most indices are calculated on the basis of industries engaged in mining, manufacturing and energy which in many countries constitute a relatively small percentage of national output.

21. For the wholesale price indices, the geographical coverage is mainly limited to the capital city as in Central African Republic, Rwanda, Ethiopia, Uganda. However, some African LDCs like the Sudan have a national coverage. For the consumer price statistics, most countries have distinctions in geographical and population group coverage. Countries like Botswana, Lesotho and Tanzania have a national coverage while others like Gambia, and Malawi cover only selected urban centres. Others such as Sudan, Cape Verde, Mali, Niger, Sierra Leone, Togo, Upper Volta, Burundi, Central African Republic, Chad, Rwanda, Djibouti, Ethiopia, Somalia and Uganda base their consumer price indices on only the capital city.

22. For the selection and definition of commodities, it is in general apparent that most countries follow different criteria in selecting a commodity to be included in the index. Some of the alternatives include (a) consideration based on the importance of the product in the market and in the economy as a whole; (b) considerations based on the degree of processing of the product; (c) consideration based on the overall turnover of the product together with the product's importance in the consumption pattern.

1/ See "country practices in the collection and compilation of price statistics in the African region", E/CN.14/NAC/65.

23. Finally, particular mention must be made of the institutional problems in the collection and processing of price statistics. In many countries, it is often the case that there are more than one institution that collects and compiles the data on prices. In some countries the Central Bank, the Ministry of Planning and the Ministry of Labour and Social Services collect independent statistics on prices and in some few cases the various compiled indices are not reconcilable. This makes it difficult for analysts and policy makers to have a reliable base of price statistics on which studies and policies can be based.

C. MECHANISM OF PRICE FORMATION AND STRUCTURES

24. Price formulation is a crucial area for the understanding of the peculiarities of the economies of the LDCs. Deviations of market prices from the true price that reflects the real cost of materials and factors is attributed to the imperfections of the domestic market and other internal structural imbalances as well as externally induced factors prevalent in African least developed countries. More specifically, the markets of LDCs are physically limited due to the predominance of the subsistence sector. The little marketable surplus is further constrained by (a) lack of storage facilities; (b) inadequate institutional setup for price fixation; (c) inefficient distribution system. Generally, the types of factors that influence price formation in these countries are those affecting the supply side in terms of the structural imbalances in agriculture, manufacturing, energy, technology and transport, etc., and factors relating to the demand stimuli such as money supply, government expenditure, foreign markets and currency valuation.

(i) Price determination from the supply side

(a) Agricultural pricing policies

25. There has been a marked deterioration in agricultural performance in African LDCs as indicated by low production levels of major cash and food crops. The main factors associated with this situation are erratic weather conditions and other natural calamities and the lack of the requisite foreign exchange to purchase the necessary inputs for effective production activities. This has occasioned an increased reliance on food imports including food aid thereby engendering distortions in domestic prices.

26. In the context of the above conditions, the main objectives of the governments' intervention in agricultural price formation are as follows: (a) to reduce the price uncertainty facing producers and consumers of agricultural products; (b) to provide incentives to farmers to increase their production base and to attain food self-sufficiency; (c) to enhance government revenue through taxation of agricultural exports; (d) to increase farmers' income and thus reduce the growing disparity between rural and urban income groups.

27. To attain these objectives, several pricing policy instruments have been used by the governments of African LDCs which include (a) guaranteed floor prices of agricultural products; (b) annually fixed producer and consumer prices for food grain and other agricultural products at the farm gate, wholesale and retail outlets (c) input subsidies of agricultural production, mainly by the provision of fertilizers and seeds and (d) taxation of some agricultural produce other than food grains.

28. It has been contended, on many grounds, that most of the agricultural pricing policies are quite ineffective to produce sufficient market response to producers and consumers. The pricing policies are not clearly formulated and in many instances counterproductive for the successful implementation of agricultural strategies. For instance, while food self-sufficiency, as stipulated in the Lagos Plan of Action is a fundamental goal in practically all the LDCs programmes, the appropriate policies to find the most cost-efficient ways of achieving these objectives have not yet been formulated.

29. A major distortion in agricultural pricing in African LDCs is the provision of government subsidies and other farm price support measures aimed at keeping production cost low for farmers and to maintain low prices especially of food crops to urban consumers. Another aspect is the policy of price stabilisation which aims at seasonal adjustment in price movements. Although adequate farm prices and other input subsidies encourage farmers to increase production, prolonged and indefinite price support and subsidies do entail high opportunity costs in terms of misallocation of resources, high cost price stablization programme and a drain on government resources.

30. Therefore, non-price policies such as direct government investment in irrigation and water control, adequate and timely supply of basic inputs, and development of agricultural research, etc. should be adopted as appropriate suport measures that could enhance productivity in the agricultural sector.

(b) Manufacturing pricing policies

31. One of the most distorting element in price formation in some African LDCs in the field of manufacturing is the pricing of output below production costs. Such a practice is more prevalent in the pricing of products of public enterprises which are heavily subsidized by government with the view to meeting welfare objectives. Such a policy can only be maintained by extensive subsidization and if continued will greatly affect labour and capital productivity and lead to lower employment.

32. The inadequate and irregular supplies of raw materials, spare parts and other imported basic industrial inputs due to severe shortages of foreign exchange in most of the African LDCs, have led to tremendous accumulation of idle capacities. The cost of holding idle stock is transmitted to the consumers through increases in the prices of locally manufactured products in order to prevent the establishments from winding up their operations.

33. Another very crucial cause of price distortions in manufacturing is the often very high levels of protection. This situation often involves high protection rates for industries that could even result into inefficiencies and, subsequently, into prices that are higher than they would otherwise be. A continued trend of lack of competitiveness of industries is, undoubtedly, not conducive to the proper evolution of price structures.

(c) Transports and marketing structures

34. Twelve out of the twenty six African LDCs are landlocked and as such these countries depend on the neighbouring countries for the transit of their trade. However, the inadequacy of transport facilities and the undeveloped infrastructure in African countries in general together with high costs of petroleum has made the transport cost of goods between countries and within a given country extremely high. This factor, therefore, constitute a significant proportion of the prices of goods.

35. As a corollary, inefficient marketing and distribution channels have considerably distorted the price formulation in spite of government policies to improve the flow of domestic trade. The differential between the controlled and market prices is a reflection of such problems. The presence of too many middleman and the unnecessary increases in service costs lead to disparities between the controlled prices and the market prices. However, the rationalization and elimination of such high trade margins and price differentials can be effected through intensive regulation of domestic trade by marketing boards.

(d) Technology and market structure

36. The imperfection in the capital market also has a direct bearing in price formation in African LDCs. The acquisition of technology at high cost and the increasing resort to capital-intensive techniques has led to the creation of high-cost enterprises with attendant increases in domestic prices. Moreover, the existence of monopolistic practices is a condition that influence price formation in the physically limited markets of the LDCs.

(ii) Price determination from demand side

(a) Wage movements

37. Wage movement is one of the fundamental determinants of the price level in any country. The wage and employment policy in the African LDCs are not strictly governed by market conditions but rather it is determined on the basis of social and political considerations. This is due to the fact that in the African LDCs the government is the largest employer and often has legislation on the wage level. In the case when money wages are rising sharply and domestic production stagnating or sliding down coupled with declining productivity, domestic prices will be subject to severe upward pressures.

38. It is often asserted that cateris paribus, the larger the wage share in GDP, the higher prices will rise and the greater the number of periods given by the economy to reach a new equilibrium. In most African LDCs, wage and salaries in the formal sector constitute less than 50 per cent of GDP. In addition, in these countries (a) per capita income in these countries is very low; (b) the increase in wages and salaries is very slow and (c) labour-union movement is very weak or non-existent in some countries.

(b) Government deficit and inflation

39. Many developing countries have had recourse to deficit financing through money creation, as a way of financing investment. But this Keynesian approach to deficit financing does not work effectively in African least developed countries because of the inarticulate structures of the economies. The governments have adopted various kinds of policies, in particular, the control of government expenditure as an important factor in demand management. Some of the policy measures include the restraining of demand, especially of imports, the narrowing of the budget deficit to a level consistent with a sustainable balance of payments deficit since most African LDCs are heavily dependent on external resources for the financing of their budget.

40. Nonetheless, the inflationary financing of expanded public works, together with the heavy reliance on import duties and other indirect taxes as the major source of government revenues, have compounded the cost structure of many basic commodities and thus led to substantial increases in the general price level.

Table 1: Methods of financing of public sector deficit in selected African LDCs

Country	Public sector deficit (-) or surplus (+) in million of country currency	Per cent of financing through			Chance in consumer price per cent
		Government savings	Domestic borrowing	External aid and borrowing	
Botswana (1982)	-56.24	-	-3.9	101.9	11.5
Burundi (1982)	-1209.90	44.8	81.5	26.3	10.5
Ethiopia (1978)	-421.90	2.4	79.6	18.3	14.4
Gambia (1978)	-35.85	-	23.6	76.4	8.7
Malawi (1982)	-66.97	-86.5	129.7	56.8	10.5
Rwanda (1979)	-1621.00	-	64.3	164.3	15.8
Sierra Leone (1982)	-119.90	-	86.9	13.1	31.0
Sudan (1983)	-129.90	-	13.9	86.1	26.5
Tanzania (1979)	-133.80	-0.1	82.5	17.6	11.8

Source: IMF Financial Statistics, Yearbook 1983.

41. Table 1 shows how deficit in the public sector was financed in selected African LDCs for which data is readily available. In Burundi, Ethiopia, Sierra Leone and Tanzania about 80 per cent of deficit was financed by domestic borrowing and the rate of inflation was particularly high in Sierra Leone (31 per cent), Ethiopia (14.4 per cent), and Tanzania (13.8 per cent). In Burundi where part of the deficit was financed through government savings, the rate of inflation was relatively low (10.3 per cent) compared to the other countries. However, in Botswana, Gambia, Rwanda and Sudan, the public sector deficit was mostly financed by external aid and borrowing.

(c) Money supply and inflation

42. Another determinant of the price level is the quantity of money or the rate of growth in the money supply. The inability of the governments to meet increased liquidity demands and to finance large accumulated losses of public enterprises and budgetary deficits led to excessive recourse to deficit financing from the banking system. Domestic credit both of the public and the private sector has expanded tremendously in recent years without a corresponding increases in production. The resulting rise in money supply, in most of the African LDCs, has triggered significant increases in prices.

43. It has been emphasized that the effect of money supply on prices is a long-run phenomenon with a lag extending over an average period of 18 months after the initial change in the money supply, but the inflation will then persist as long as the monetary growth continues at its higher rates. Looking at Table 2, one may establish that there is a high correlation between the growth rate of the money supply and the rate of change in the consumer price indixes in most of the African LDCs. In all the countries, the co-efficient of determination (R^2) is very high. The one-year lagged money supply significantly affects the price level than the current money supply, thereby supporting the above proposition that prices in most African LDCs react to the money supply changes after 12 to 18 months.

(iii) Externally-oriented price determinants

(a) World money supply

44. The inflation that had resulted from the expansion of money supply in developed market economies is transmitted to other economies including those of African LDCs through the fixed parity of exchange with the currencies of these countries. This is mainly due to the fact that African LDCs are heavily dependent on the market of such economies for imports of manufactured products and energy and on exports of primary commodities whose prices are determined in the international market. As a result, inflationary tendencies in the developed countries have an impact on the overall domestic price level in African LDCs through international trade in goods and services.

(b) Balance of payments

45. If the country imports more than it exports, it has to find the means to finance the trade deficit. There are several alternatives open to a country to finance a deficit brought about by expansionary measures at home: (a) it can run down its foreign exchange reserves; (b) it can attract private capital from abroad; (c) it can borrow capital in the international money market or direct from international development agencies or (d) it can seek for balance of payments support in terms of "free" import or foreign exchange. Other corrective measures may include, internal price and income adjustments, or by policies to switch demand to locally produced goods through physical controls on imports and devaluation of the currency.

Table 2: Relationship between change in consumer prices and changes in money supply in selected African least developed countries

$$\ln Pc = a + b \ln M_s + c \ln M_{s-1}$$

Country and period	a	b	c	R^2	SE	D.W
Burundi (1964-80)	2.34791 (18.32)	0.[illegible] (1.93)	0.[illegible] (3.12)	[illegible]	0.09152	1.3575
Chad (1960-80)	2.14593 (13.10)	0.24432 (1.82)	0.31097 (2.07)	0.92407	0.08517	0.5151
Ethiopia (1960-80)	2.02607 (7.41)	-0.59241 (-1.42)	1.0551 (2.49)	0.8461	0.14815	0.5575
Gambia (1964-80)	2.90753 (+6.03)	0.06682 (0.61)	0.48784 (4.40)	0.9796	0.06126	1.1590
Malawi (1965-80)	2.15296 (18.10)	+0.15622 (1.60)	+0.35211 (3.57)	0.9686	0.06389	1.1258
Niger (1962-80)	2.5275	0.3192 (2.75)	0.1551 (1.20)	0.9831	0.0396	1.4009
Sierra Leone (1960-80)	1.22428 (8.09)	0.26579 (1.47)	0.48230 (2.43)	0.9661	0.08590	0.8397
Somalia (1960-80)	2.48065 (18.35)	0.052062 (0.24)	0.40212 (1.76)	0.9250	0.13157	0.6964
Sudan (1960-80)	0.36452 (1.62)	0.39160 (1.53)	0.32768 (0.86)	0.9450	0.14208	0.1706
Tanzania (1966-80)	-2.3496	0.2923 (0.84)	0.51042 (1.71)	0.9705	0.08827	0.08679
Togo (1962-80)	[illegible] (30.85)	0.05083 (0.47)	0.30936 (2.51)	0.99912	0.09212	0.4608
Uganda (1965-80)	[illegible] (-7.72)	0.39818 (0.73)	0.94153 (1.58)	0.9707	0.21022	0.6788
Uppver Volta (1962-80)	2.97652 (38.88)	-0.23620 (-1.82)	0.61506 (4.49)	0.9621	0.06274	1.9735
Rwanda (1964-80)	2.10594 (14.21)	0.18985 (1.46)	0.40238 (2.89)	0.9471	0.11679	0.7575

Data source: IMF Supplementary, 1981, 1983

Note: PPc = consumer prices, M_s = current money supply; M_{s-1} = one year lagged money supply.

R^2 = Coefficients of determinant
SE = Standard Error
D.W = Durbin Watson

46. Except for a successful devaluation, all the other policy measures to correct the balance of payments will defeat the purpose of the internal expansion. A devaluation can improve the balance of payments only if it increases domestic output for exports and reduces expenditures on imports. In African LDCs devaluation is unsuccessful in achieving the required objectives of such corrective measures because world demand of their exports is inelastic. Thus, inflation may arise due to the increase in the prices of imports. The inflation in Tanzania was partly due to the devaluation phenomena because part of the balance of payments deficit was financed by credit expansion.

47. Also, the increasing reliance on commercial loans is one of the factors that have an upward pressure on prices. The high price of borrowing and interest rates constituted a formidable problem to these countries not only on the service payment but also led to the ignition of widespread inflationary tendencies in the economy.

(c) Exports

48. Because of their vulnerability to international economic situations, the price movements in the African LDCs are largely affected by developments in world prices since these countries are price-takers in international commodity markets. The recession which afflicted most of the industrialized countries in recent years, the development of the technology of syathetics and substitute, the intense competition of labour-surplus products of Asian countries, have slackened the demand and hence dampened prices of exports of primary products and reduced farmers income considerably in the African LDCs. The protectionist policies and imposition of quota restrictions had undoubtedly had an adverse effect on the general level of production which contracted to its lowest levels in recent years and intensified the recession in the LDCs.

49. Special care should therefore be taken in the determination of export tax which have a direct bearing and an adverse effect on the supply response. For instance, increased tax on exports have proved to hold back production and could not sufficiently stimulate supply to sustainable levels. However, this has to be based on the elasticities of foreign demand of the product in question. In cases where the commodity commands a strong monopolistic position in international markets, export prices are adjusted upwards by introduction of royalities and extra taxes so as to take advantage of its competitive stance and thus earn additional foreign exchange. However, careful examination should be given to export prices in terms of export commodity competitiveness and supply response.

50. To stabilize their prices in international markets and increase their competitive stance, further processing should be undertaken. Likewise, measures have to be taken to lessen the absorption of external inflation in the cost of the domestically produced goods for exports by seeking ways and means of reducing the import content and substitute it by domestic inputs.

(d) Effects of oil import

51. The oil bill in many African LDCs increased tremendously over the period 1972-1979, as a result of the seven or eight fold increase in the world price of oil. Most of the African LDCs had to finance oil imports by increasing the deficit on current balance and borrowing abroad or from IMF to cover the foreign exchange requirements

52. Table 3, below shows that the cost of oil imports as percentage of GDP in selected African LDCs increase on the average more than five times during the period covered.

Table 3: Cost of oil imports as percentage of base year GDP in some LDCs

1972-1979

Country	1972	1973	1975	1979
Ethiopia	0.4	0.6	2.4	3.0
Malawi	0.7	1.0	3.9	5.1
Sierra Leone	1.3	2.0	6.3	7.0
Sudan	0.7	1.0	3.3	3.8
Uganda	0.5	0.7	2.6	3.1
Tanzania	0.8	1.2	4.0	5.0

Source: ECA Statistics Division.

53. The question of whether there will be any change in the relative price of oil and oil-based products relative to the prices of other goods and services depend on the tax or subsidy policy of the government. In cases where the governments increase taxes on oil and oil-based products, this will affect the domestic prices of other commodities and, hence, increase the general price level since oil acts as an input in the production of other goods and services.

(e) Foreign exchange

54. The governments of most African LDCs had instituted exchange rate measures in order to attract foreign exchange resources to official markets, since the black marketing in currencies may cause inflation. Changes in exchange rate are immediately fully reflected in changes in domestic prices of imports. Such currency adjustments bring about changes in the relationship between the foreign price and the domestic price level.

55. Although devaluation is expected to boost exports and discourage imports yet it has not produced the desired result. While IMF is insisting on a series of devaluation (in some cases twice a year), the fact remains that changes in the exchange rate cannot permanently change the ratio between export and import prices but would significantly distort domestic prices.

56. Evidence, however, has shown that domestic prices of imports react fully to exchange rate changes than export prices. And as most of the capital and intermediate goods and in particular the strategic basic inputs that enter into the local production of goods are acquired through imports, continuous devaluation would undoubtedly lead to increases in the domestic general price level.

D. INSTITUTIONAL SETTING AND PRICE CONTROL SYSTEMS

(i) Overview of the institutional setting

57. In African LDCs, the institutions responsible for the formulation and implementation of pricing policies vary in number and nature depending on the country and are a function of the types and importance of the products in each country. In general, the Ministry of Trade is responsible for the determination of prices of non-agricultural locally produced goods and imported non-essential commodities in view of its role in the elaboration and application of trade and commercial policies. In a few cases, the prices of imported products are determined by the Central Bank which normally deals with import licensing.

58. In the case of essential commodities (e.g. salt, sugar, milk, flour, petroleum products, etc.), the fixing of prices involves a number of government institutions (central administration, customs, ministries of finance, planning, industry, labour as well as trade unions, etc.). In such cases, there exist in many of the countries studied, a co-ordinating machinery at the technical and/or ministerial levels, with variations in their composition and characteristics.

59. The institutions dealing with pricing policies in the African LDCs are either still in their embryonic stage or are too numerous both of which deter their efficiency due to the fact that (1) their responsibilities are not often well defined; (2) co-ordination is non-existent or inadequate; (3) their decisions are not usually backed by technical analysis or respected; (4) the control mechanisms are conceived in such a manner that they do not take into account the constraints of resources and the complexity of operations.

(ii) Price legislations

60. The drawing up of price legislations in many African least developed countries dates as far back as 1965. However, in most countries such legislations have been revised and modified in recent years although some countries are still administering price regulations which were designed during the colonial era. The legislations in several countries relate to theddefinition of price regimes and the setting of prices for export and import commodities. In only one country, the following important elements are covered by the legislation: (1) the establishment of procedures for price determination (2) inventory control (3) quality control of marketed products (4) the monitoring of the activities of traders and the application of trade regulations.

61. The objectives of price regulations are not clearly enumerated and as such not easily discernible in the existing texts. In general, most of the legislation originate from the necessity for administrative controls rather than from the need to orient, control and direct economic activities on the basis of well defined

commercial policies. In all the countries, price legislations are ill-adopted to existing conditions and contain serious gaps. For instance (1) the prices of a number of locally produced food products are not subject of the legislation (2) the price of basic agricultural products and exports do not take into account production cost (3) import/export programmes tend to resort to discriminatory prices practices necessitating the control of imports from certain areas especially monetary zones.

(iii) Price control systems

(a) Administrative control system

62. In African LDCs, there is a preponderance of administrative control mechanisms exercised at different levels of both the determination and the supervision of prices in general. For the determination of prices, the administrative machinery intervenes at the level of taxation. With respect to supervising the main administrative elements, this relate to the verification of the price charged-vis-à-vis the official prices. This is often done by special price inspection services as well as other administrative structures like central banks and those institutions mandated by public authorities. Non-administrative mechanisms are often empowered to prosecute violators of price regulation with heavy penalities.

(b) Economic control systems

63. The economic control system in most African LDCs involve two important aspects namely, the control of stocks and price stabilisation programmes. With respect to inventory control, public institutions, particularly marketing boards are mandated to secure continuous supply of basic food products for all areas in the countries. Other institutions such as co-operatives are also involved in inventory control at a decentralised level and thereby act as price regulators. In this way they play an important role in regulating prices among regions and between seasons.

64. In view of the important effect of food aid on agricultural prices, the administration of food assistance programmes by designated government agencies is also of crucial importance. However, due emphasis must be put on possible distortions resulting from factors like transport cost, differential pricing, subsidies and the procedures to purchase products from different areas within the country.

65. For price stablization, many countries have set up special funds aimed at bringing about a balance between demand and supply. These funds which are usually financed through surtaxes on agricultural exports often exist for individually selected commodities.

(c) Effectiveness of price control system

66. Many of price control systems are inefficient and inadequate because of various reasons. These include, inter alia, (a) the inadaptability to the nature of economic

activities including problems of erratic weather conditions and seasonal variations, large subsistance sector, poor storage capacities; (b) the lack of knowledge of agricultural production cost which leads to setting of official prices which are very different from prices resulting from market forces; (c) the lack of resources, financial and human, to carry out the necessary activities (d) the very little importance given to relative prices and to the evolution of cost; (e) the lack of information on the true cost of imported commodities; (f) the absence of a standard system of weights and measures (g) the inexistence of a strong relationship between fiscal policies and custom legislation.

E. CONCLUSION

67. This preliminary paper has attempted to highlight the effectiveness of pricing policies as an instrument in economic planning and management in African LDCs. The objectives of the governments' intervention in establishing official domestic prices of goods are generally aimed at stabilizing the general price level and to ensure a reasonable price structure for local enterprises. In order to attain these objectives, pricing policies should be designed in a consistent and systematic manner within the context of national development policies and strategies and the trade-off needed in overall and sectoral priorities in the process of economic development.

68. With regards to the institutional setting and price legislations, the problems that have been identified include mainly, the lack of co-ordination among various government agencies in the administering of controlled prices, the inadequate financial and manpower resources to develop appropriate price formation techniques for the establishment of realistic prices, and the outdated nature of the price legislations in most of the countries. To redress these problems, it is recommended that the governments of the LDCs should endeavour to revise their existing legislations, strengthen the institutions responsible for price formation and ensure a better co-ordination of their activities.

69. As for price statistics, the African LDCs have to make efforts to improve the quality and quantity of the data especially with regards to national coverage instead of concentrating on particular areas in a country, more elaborate sectoral coverage for producer prices, particularly agriculture, increased coverage of the informal sector and the inclusion of indices on wages, salaries and employment as part of the package of relevant price statistics.

70. Finally, for the macro-economic determinants of the price level in African LDCs, it is pertinent that measures should be formulated with a view to restoring a better balance between supply and demand of basic commodities and to maintain a reasonable level in the expansion of money supply; devise appropriate fiscal policies affecting wage, employment and stablisation programmes, restrain demand, curb excessive government expenditures and maintain a better foreign balance by reasonable adjustment of the exchange rate.

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

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Distr. LIMITED
E/ECA/LDCs.4/5
30 December 1983
Original: English

ECONOMIC COMMISSION FOR AFRICA

Third Meeting of the Inter-governmental Committee of Experts of African Least Developed Countries

Conakry, 11-13 April 1984

ECONOMIC COMMISSION FOR AFRICA

Fourth Meeting of the Conference of Ministers of African least Developed countri

Conakry, 24-25 April 1984

LE/NAIROBI

REVIEW OF ECA ACTIVITIES IN 1983 AND PROGRAMME OF WORK IN 1984 FOR THE AFRICAN LEAST DEVELOPED COUNTRIES

A. INTRODUCTION

1. Within the framework of ECA Conference of Minister's Resolution 397(XV) and 456(XVII), the secretariat had developed a comprehensive programme of work for the biennium 1982-1983 and 1984-1985 for the African least developed countries in order to assist those member States of the Commission, through technical assistance and advisory services, studies and research at the country and regional levels, for the Implementation of the Substantial New Programme of Action (SNPA). These programmes were examined and approved by the Third Meeting of the Conference of Ministers of African LDCs and subsequently endorsed by the Eighteenth Session of the Commission and Ninth Meeting of the ECA Conference of Ministers, in April, 1983.

2. The main features of the programme are:

(i) Technical assistance and advisory services to African LDCs in planning, programming and project preparation in collaboration with the substantive Divisions of the ECA and/or organizations of the United Nations System. Although this is a regular activity of the secretariat, yet such assistance can only be provided upon the request of the governments of the African LDCs.

(ii) Review of economic and social conditions in African LDCs
This is an annual regional and country review of the macro-economic trends and management of the economies of African LDCs with particular emphasis on major problems encountered and policies pursued by the governments.

(iii) Follow-up and monitoring of the implementation of the Substantial New Programme of Action. In accordance with para 121-122 of the SNPA, the secretariat undertakes, on an annual basis, an analysis of the progress achieved, the problems and prospects in the context of chapters I and II of the programme with special attention to International Resource flows to the African LDCs as a result of review meetings for the Implementation of the SNPA.

(iv) Indepth studies on the economies of African LDCs. This aspect of the programme constitutes country case studies and regional study projects on priority areas identified by the governments

individually or as a group and/or by the secretariat, within the framework of decisions and recommendations of the organs of the Commission responsible for co-ordinating policy issues for the African LDCs;

(v) Servicing of the annual meetings of the Inter-governmental Committee of Experts and Conference of Ministers of African LDCs. These annual meetings have been institutionalized by the authority of ECA Conference of Ministers' Resolution 397(XV) and it is a regular activity of the secretariat to organize and service them as a forum of exchange of views and experiences on critical issues of relevance to the African LDCs and appropriate policy guidelines are designed to be adopted by the countries individually and/or as a group.

3. In addition to the above programme elements, the substantive Divisions of the ECA, on the basis of their respective programmes and under the umbrella of the ECA inter-divisional committee on LDCs, undertake sectoral activities (e.g. industry, transport and communications, etc.) either as regional project studies or country specific studies generally upon the request of the governments of the LDCs.

B. ACTIVITIES CARRIED OUT IN 1983

I. Studies and research

(a) Review of economic and social conditions in African LDCs (1981/1983)

4. As part of its regular programme activity, the ECA secretariat undertook a review of economic and social conditions in the African least developed countries covering the period, 1981-1983. The main objective of the study was to review the prevailing economic and social conditions and a selected range of policies undertaken by the African LDCs, and to have an overall assessment of the performance of these countries as a whole with emphasis on the main achievements, shortcoming and difficulties that they experienced. The findings of the survey has been submitted to this meeting in Document E/ECA/LDCs.4/2.

(b) Pricing policies in African LDCs

5. In 1983, the ECA secretariat, in collaboration with UNCTAD, undertook

studies on pricing policies in Burundi, Central African Republic, Comoros, Ethiopia, Guinea Bissau, Mali, and Rwanda.

6. The main objectives of the project is to enhance the capability of the African least developed countries in implementing the recommendations on domestic measures contained in Chapter 1 of Substantial New Programme of Action. Specifically, the study dealt with measures to:

- improve incentive schemes for upgrading productivity and increase output in the agricultural sector;
- ensure better investment resource allocation in the context of development objectives and strategies;
- improve the external and domestic terms of trade;
- reinforce the institutional and legal framework for price policies;
- improve price formation techniques and to strengthen institutional capabilities for efficient price control and monitoring.

Some salient issues have been extracted from the country case studies and presented to this meeting in Conference document E/ECA/LDCs.4/4.

(c) Progress report in the implementation of the SNPA in African LDCs (1982/1983)

7. In accordance with para. 121-122 of the SNPA, the ECA secretariat is required to prepare an analysis of the progress and policy issues affecting the implementation of the Substantial New Programme of Action (SNPA) in African least developed countries. Accordingly, the secretariat had prepared an updated progress report covering the period, 1981/83 with particular emphasis on a brief ex-post assessment of the results of the country Round Table Meetings so far organized and a review of the meetings which are at a preparatory stage; an analysis of the international support mechanisms and measures in favour of the African LDCs since the 1981 Paris Conference especially in terms of volume, and conditionalities of concessional and non-concessional aid; and a birds-eye view of the outcome of the Sixth Session of the United Nations Conference on Trade and Development (UNCTAD) as it relates to Implementation of the SNPA in African LDCs. The progress report has been submitted to this meeting as Conference document E/ECA/LDCs.4/3.

(d) Mid-terms review of the Third International Development Strategy (IDS)

8. In accordance with the requirements of Section D para. 81 of the International Development Strategy (IDS) of the Third United Nations Development Decade and in the context of Section C Part 5 on special measures in favour of the least developed among the developing countries, the ECA secretariat had prepared and submitted a contribution to the mid-term review of the IDS with respect to the prevailing economic and social conditions obtaining in the African least developed countries. The submission which was made from a Regional Standpoint, dealt with a brief analysis of the key macro-economic indicators and the management of the economies of the African LDCs and an assessment of the progress and prospects on the implementation of the SNPA at the national and regional levels in the African region.

II. Conferences

(a) Third meeting of the Conference of Ministers of African LDCs

9. The ECA secretariat organized and serviced the second meeting of the intergovernmental committee of experts preparatory to the third meeting of the Conference of Ministers of African least developed countries, which were held in Addis Ababa from 11-13 April and 25-26 April. 1983 respectively. The main objective of the Third Meeting of the Conference of Ministers of African LDCs was to consider the report, recommendations and draft resolutions prepared by the Intergovernmental Committee of Experts of African LDCs which had met to: (i) review the economic and social conditions, major problems encountered and policies pursued by the LDCs during 1981/82; (ii) examine progress achieved in the implementation of the SNPA with emphasis on the outcome of country Round Tables/ Consultative meetings; trends and prospects in International Resource Flow and Aid Modalities; (iii) consider measures for the effective mobilization of domestic resources in African LDCs and (iv) review the activities of the secretariat in 1982 and those planned for 1983 and to make appropriate recommendations for the approval of the 1984-1985 programme of work in favour of the African LDCs.

10. After an exhaustive debate on the report of the Intergovernmental Committee of Experts, the Conference took the following decisions:

(a) that in view of the dissimilarities of the socio-economic characteristics and the difference in problems faced by the African LDCs, the ECA should continue to undertake annual surveys of these economies in order to throw light on the special circumstances prevailing in individual countries;

(b) those African LDCs who had organized country Round Table/Consultative Meetings should prepare an ex-post analysis of the outcome of the meetings in order to ascertain resource availability. In this respect, the Ministers further requested the ECA, in collaboration with the lead agencies, to assist in the establishment of national follow-up mechanism to review meetings as well as to carry out studies on the flow of external resources to their respective countries;

(c) an appeal was made to the 38th session of the General Assembly, through UNCTAD VI, to allow those African LDCs who had not organized their review meetings to do so in 1984 contrary to the deadline established by para 114 of the SNPA;

(d) that the ECA secretariat in collaboration with the lead agencies, should assist the African LDCs, to carry out country case studies on measures for the effective mobilization and efficient utilization of domestic resources for development financing.

11. The African LDCs Ministers also adopted resolutions which were subsequently endorsed by the Ninth Meeting of the ECA Conference of Ministers, (Addis Ababa, April, 1983): Resolution 481(XVIII) on measures for accelerating the implementation of the SNPA in African LDCs and Resolution 482(XVIII) on the First Round of Review Meetings.

(b) UNCTAD VI

12. The ECA secretariat participated in UNCTAD VI which was held in Belgrade (Yugoslavia) from 6 June to 3 July 1983. The Conference had before it Agenda Item 12: Progress on the Implementation of the Substantial New Programme of Action for the 1980's for the least developed countries. The main areas of concern to the LDCs during the negotiations centered around:

(i) official development assistance (ODA) to the LDCs;
(ii) ODA debt, and
(iii) liberalization of the IMF compensatory financing facility with special consideration for the LDCs. For an assessment of the outcome of the negotiations on these and other relevant issues, Document E/ECA/LDCs.4/3 on progress on the implementation of the SNPA in African LDCs, was prepared and is presented to the conference.

III. Pre-review and review meetings

(i) Pre-review meetings

13. The secretariat attended two pre-review meetings in Geneva (Switzerland) which were organized by the UNDP for the governments of Guinea in July, 1983 and Comoros, in August, 1983. The main pre-occupation of these meetings were to review the documentations which had been prepared for the country Round Table meetings with a view to enriching the quality of the papers in terms of substance and relative consistency with the countries' development objectives and strategies and also to satisfy the requirements of donors so that they could make firm commitments of resources for the implementation of the projects and programmes of these countries.

(ii) Review meetings

14. The secretariat also attended three country Round Table meetings which were organized with the assistance of the UNDP for the governments of Benin (Cotonou, March 1983), Djibouti (Djibouti, November, 1983) and Liberia (Berne, Switzerland, October, 1983). The secretariat's assessment of the results of these meetings can be found in Conference document E/ECA/LDCs.6/4/3. However, what is worth mentioning here is that, although the eligibility of Liberia for inclusion on the official list of LDCs was not recommended by the 19th session of the United Nations Committee on Development Planning (CDP) in April 1983, yet the secretariat had attended the Liberia Round Table meeting on the basis of United Nations General Assembly Resolutions 37/194 and 36/207 and upon the invitation of the Head of State of Liberia who specifically requested for ECA assistance in helping to make the Conference a success.

(IV) Other meetings

(a) UN Committee on Development Planning

15. The EC.. participated in the 19th session of the UN Committee on Development Planning which was held in New York in April, 1983. The Committee considered, among others, measures in favour of the least developed and other low income countries and the eligibility of Liberia to be included on the list of LDCs. With respect to the former, the Committee called for an enlargement of the IMF compensatory financing facility and improvement in its coverage; more programme loans by the world bank; increased bilaterial aid and increased flexibility in conditionalities for short-term balance of payments support in favour of the least developed countries, etc.

16. As for the case of Liberia, the Committee did not recommend its eligibility on the basis of the existing criteria for the identification of LDCs and in the light of the data presented.

17. The Committee had adjusted the average GDP per capita criterion to the level of US$285 for the period 1977-1979 with lower and upper cut-off points of US$323 and US$387. According to the indicators for Liberia supplied by the UN Statistical Office, the World Bank and the government of Liberia, the average per capita GDP at current market prices for the period 1978-80 are $486, $578 and $459, respectively. The average percentage share of manufacturing in GDP at current factor cost were 9.8, 6.8 and 9.0 respectively. The literacy rates given by the World Bank and the government of Liberia were 25 and 15 per cent of literate population 15 years of age and above, respectively. It was on the basis of these figures that the Committee did not recommend the inclusion of Liberia on the list of LDCs.

(b) UN inter-agency consultations on follow-up of the SNPA

18. The United Nations Inter-agency Consultations on Follow-up of the SNPA are regular meetings of the organizations of the United Nations System, usually convened by the Office of the Director-General for Development and International Economic Co-operation in accordance with General

Assembly Resolution 38/114 and decision 1991/15 of the UN Administrative Co-ordination Committee (ACC). The main purpose of the consultations is to exchange views on major aspects of the Agencies' programmes of work in favour of the LDCs and actions taken by individual organizations in the implementation of the SNPA. The ECA, as a member of the group, attended the recent meeting held in Geneva (Switzerland) at which time the secretariat submitted a brief report on its activities and on the progress in the Implementation of the SNPA in African LDCs.

(V) Follow-up action on ECA resolutions 481(XVIII) and 482(XVIII)

19. As part of its decisions during its Third Meeting, the Conference of Ministers of African LDCs (Addis Ababa, April 1983) adopted Resolutions 481(XVIII) on measures for accelerating the implementation of the SNPA in African LDCs and 482(XVIII) on the First Round of Review Meetings, which were subsequently endorsed by the Eighteenth Session of the Commission and Ninth Meeting of the ECA Conference of Ministers (Addis Ababa, April 1983). The below constitutes follow-up actions taken by the ECA secretariat in fulfilment of the mandate of the Conference of Ministers of African LDCs.

(a) Resolution 481(XVIII)

20. In accordance with paragraph 7 of Resolution 481(XVIII), the Ministers requested the ECA, in collaboration with the lead agencies, to assist the African LDCs (a) in undertaking, upon request of governments, studies aimed at enabling the African LDCs to mobilize domestic resources for development and (b) in establishing national follow-up mechanisms to the review meetings and monitoring of the implementation of the SNPA.

21. With respect to the studies on measures for domestic resource mobilization, the secretariat had prepared a project document for Bilaterial Technical Co-operation arrangements entitled: "Country studies on measures for the effective mobilization and utilization of Domestic Resources for development financing in African least developed countries," which will be submitted by ECA's Technical Assistance Co-ordination and Operations Office (TACOO) to interested donors

for financing. The immediate objectives of the project studies will be (i) to identify the problems associated with, and all possible sources of domestic resources, in order to enable these countries to devise appropriate measures for mobilizing those resources and to plan and draw up investment programmes based on a concrete internal resource bench mark and (ii) to examine the flow of external resources to the African LDCs.

22. On the establishment of national follow-up mechanisms, the secretariat had forwarded the report of the Third meeting of the Conference of Ministers of African LDCs along with the Resolutions to the UNDP and the World Bank which had been followed up by consultations on the best possible approaches in setting up an appropriate machinery at the country level for the follow-up of the review meetings. In order to concretize the consultations, the ECA secretariat expects the African LDCs to submit official requests for the establishment of their respective national follow-up mechanisms. In that respect, a letter was sent to African LDCs who had organized review meetings with a view to informing them of the availability of the Secretariat to assist.

(b) Resolution 482(XVIII)

23. As per paragraph 9 of Resolution 482(XVIII), the ECA Executive Secretary submitted to the Plenary of UNCTAD VI, the proposal of the Third Meeting of the Conference of Ministers of African LDCs, to extend the deadline for convening the review meetings beyond 1983. The proposal was endorsed by UNCTAD VI and recommended to the 38th Session of the General Assembly to allow those African LDCs, who had not done so, to organize their country review meetings in 1984 without prejudice to the global mid-term review in 1985.

(c) Technical assistance and advisory services (1982-1983)

(i) Assistance in planning and programming

24. A Joint ECA/ADB Technical Assistance was provided to the Ministry of Economy and Commerce of Rwanda to establish a short-term forecasting model on the basis of a social accounting matrix (SAM). The preliminary

framework for the SAM was agreed upon and some of the cells had been completed. A forecasting model (MODELS UMUGANDA) was developed, tested and installed in Rwanda, on the basis of a partial SAM and the full implementation of the forecasting system will be attained upon the completion of the Survey of Economic Sectors by the officials of Rwanda.

25. Upon the request of the government of Guinea, the ECA secretariat assisted the staff of the Planning Department in preparing projections of Economic aggregates and resource requirements for the country's development plan and public investment programmes and projects for Guinea's Round Table meeting with donors to be organized in 1984.

26. As a follow-up to the Joint Communique issued by the government of Camoros and the ECA at the end of the Executive Secretary's official visit to Moroni from 4 to 7 May 1983, the secretariat assisted Comoros in the following areas during 1983:

(a) assistance in the preparation of the basic documentation for the country's Round Table planned for March 1984; which consisted of a report on Comoros's overall and sectoral development objectives and strategies, major constraints and potentialities; and a detailed investment programme along with estimated resource requirements for its implementation;

(b) assistance to women organization in Comoros;

(c) assistance in the organization of tourism activities in Comoros;

(d) assistance in air transport;

(e) assistance in the framework of the preferencial trade areas and

(f) assistance in area of remote sensing.

(ii) Ad-hoc assistance

27. Acting upon the request of the Institute du Sahel which was made to ECA on behalf of the Countries of CILSS (Comite inter-Etats de Lutte Contre la Secheresse dans le Sahel: Drought Committee on Sahel States), the

secretariat undertook a review of economic and social conditions (1973-1983) and a perspective study (1983-1998) of the Sahelian Countries (Senegal, Mauritania, Mali, Upper Volta, Chad, Niger, the Gambia and Cape Verde) with particular emphasis on the agricultural sector, especially the food production capabilities and supply situation; transport and energy sectors. The aim of the project study is to provide a tool for promoting co-operation among the CILSS countries in combatting desertification, improving transport network especially of the landlock members and the joint exploitation of their natural resources and energy of the region.

(iii) ECA sectoral technical assistance

28. Below is a selected range of sectoral technical assistance provided by some substantive divisions of the ECA to the African LDCs, in the framework of their respective programmes:

29. The Division of Public Administration, Management and Manpower (PAMMD) of ECA, conducted national workshops for Botswana, Lesotho and the Gambia with emphasis on employment and productivity planning.

30. Upon the request of the respective LDCs governments, the ECA Statistics Division provided assistance to Lesotho, Tanzania, and the Gambia for the improvement of their respective national accounting systems. Ethiopia, Sudan, Gambia, Burundi, Malawi, Togo, Guinea, Sierra Leone, Botswana, Benin, Djibouti, Mali, Niger, and Upper Volta, were also assisted in the areas of Census and Demographic Survey and Civil Registration.

31. In the field of population studies, assistance has been provided to:

Botswana - (i) Evaluation and analysis of the 1981 census data and
(ii) Population Projections

Sudan - Finalization of the 1983 census questionnaire, enumeration manuals, tabulation plans and an analytical framework for processing the census data.

Somalia - Reviewing the evaluation and analysis of the 1975 population census and finalization of the tables for publication.

Lesotho - Finalization of the report on the labour force and migration survey

- Conducted a national seminar on population and development

Tanzania - Evaluation and analysis of the 1978 census and an appraisal of the Pilot Civil Registration Scheme

- Organization of the Mid-Level training in demography

- Population projections

Djibouti - Analysis of the population census data

Burundi and Rwanda - Population analysis and policy formation

Mali - Finalization of the technical report on evaluation and analysis of the 1976 census.

Comoros - Population census analysis.

32. In addition to the above, technical assistance is being provided to all member States by the ECA/UNIDO Industry Division in the framework of the Industrial Development Decade for Africa. The Transport, Communications and Tourism Division is also assisting all African countries to mobilize resources for the implementation of national, subregional and regional projects under the approved programme of the Transport and Communications Decade for Africa, 1978-1988.

C. ACTIVITIES TO BE CARRIED OUT IN 1984

(i) Studies and Research

33. The studies and research activities to be undertaken in 1984 will include:

(a) Survey of Economic and Social Conditions in African LDCs (1982-83). This will entail a review of macro-economic trends, the effectiveness of domestic policies and the impact of external factors in the management of the economies of African LDCs.

(b) Study on industrial capacity utilization in African LDCs. The principal objectives are: to evaluate the status of industrial development and the extent to which installed capacities of manufacturing establishments are being utilized; to identify problems associated with capacity utilization and to make appropriate recommendations compatible with domestic policies for industrial development in African LDCs.

(c) Progress in the implementation of the SNPA in African LDCs (1981-1984) In accordance with paragraph 118 of the SNPA, a global mid-term review of progress towards the implementation of the Substantial New Programme of Action should be undertaken in 1985. The secretariat will carry out an assessment of the progress achieved during the period 1981-1984 (i.e. since the adoption of the SNPA in September 1981), with particular emphasis on actions taken at the country level to implement Chapter I of the SNPA; review progress in international support measures, particularly the flow of concessional and non-concessional official development assistance (ODA) to the African LDCs; the impact of the country round table consultative meetings in terms of donor assistance obtained as a result of organizing these meetings, and measures for the successful implementation of the SNPA during the second half of the 1980's.

(ii) Country review meetings

34 The secretariat attended the country Round Table conferences with donors organized by the governments of Burundi, Comoros and Malawi during the first quarter of 1984. The assessment of the country Round Tables in document E/ECA/LDCs.4/3 partially covers these countries since the meetings have just recently been held prior to this Conference and their results could not be assessed.

35. According to the tentative schedule for the remaining country Round Table consultative meetings agreed upon by the high level Ministerial Consultations in Addis Ababa, April 1983, a bulk of the review

meetings are scheduled to be held in 1984. The secretariat, in addition to its attendance at these meetings, is prepared to assist in the preparation of the necessary documentations for the Round Tables. However, those countries who have not yet organized their review meeting should submit to the ECA an official request for such assistance as has been done in the case of the governments of Comoros and Guinea.

Other meetings

36. The secretariat plans to attend meetings that will be organized by the organizations of the United Nations System which are related to the implementation of the Substantial New Programme of Action (SNPA) in African LDCs. Specifically, the inter-agency consultation on follow-up of the SNPA to be organized by the Office of the Director-General for Development and International Economic Co-operation; meeting of multilateral and bilateral financing and technical assistance institution with LDCs to be organized by UNCTAD; the twentieth session of the United Nations Committee for Development Planning (CDP), etc.

37. The technical assistance component of the ECA special programme of work for the African LDCs will be continued in 1984 and the substantive divisions will give top priority to programmes and projects that are specifically geared towards the LDCs. In particular, assistance will be provided, upon the request of the governments, in the preparation and organization of country review meetings. Governments are also urged to inform the secretariat of their respective needs for technical assistance in the areas of planning and programming and other project areas which have been identified in the key priority sectors.